



**CITY OF RYE, NEW YORK  
FINANCE COMMITTEE MINUTES  
February 7, 2005 – 7:30 p.m. – Employees' Lounge, City Hall**

Present: Michael Caponiti, Fred Dunn, David Mullane, Jono Peters, George Pratt, Sal Samperi; City staff liaison Michael Genito.

Absent: Norm MacMaster and City Council liaison Franklin Chu.

Guests: Brenda Jeselnik, City of Rye Deputy Comptroller

Update on Proposed City Occupancy Tax

Michael Genito reported that the legislation for the proposed City occupancy tax had been sent to the State Legislature in 2004, too late for consideration in the 2004 legislative session, but would be re-introduced for the 2005 legislative session.

Update on Proposed Real Estate Transfer Tax

Michael Genito reported that the City's Corporation Counsel was preparing the legislative language for the proposed City real estate transfer tax. The Committee noted that timing was important, because a bill would have to be introduced in March or April for the 2005 New York State legislative session, and a resolution would have to be adopted by the City Council in order to send it to the State Legislature. Michael Genito noted that the five articles of New York State Tax Law currently in place that provide for a real estate transfer tax contained very similar language, a specific purpose for the revenues, and a sunset clause. The Committee requested that Michael Genito obtain copies of the legislation in place for other communities and forward it to the Committee for review and consideration of recommending a purpose for the revenues. Michael Genito suggested that capital infrastructure, such as streets, sidewalks, sewers, and drains would be an area for consideration.

The Committee agreed that this issue should be further discussed at the March 7, 2005 Finance Committee meeting.

Minimum Level of Undesignated Fund Balance

Michael Genito advised the Committee that the City's current financial policies establish a minimum level of unreserved, undesignated fund balance equal to 5% of operating expenditures, and that there had been discussion by the City Council and the Finance Committee that perhaps this minimum level should be raised. Several Committee members noted that the 5% is a minimum level by policy, not law; that the City over the past 10 years has maintained a level of at least 10%; that a change in the policy to increase the minimum level would not have an affect on the City's credit rating, and that the City will most likely face some serious financial challenges in the near future that may require some use of fund balance that would make it difficult to maintain a higher minimum level without raising taxes significantly. At least one member of the Committee believed that a higher rate by written policy would encourage more conservative budgeting and financial management.

The Committee ultimately agreed that Michael Genito should draft language to amend the financial policy to the effect that a minimum balance of 5% should be maintained, but that the City should strive to exceed the minimum balance whenever possible. The Committee agreed that this issue should be further discussed at the March 7, 2005 Finance Committee meeting.

#### Establishing a Minimum Tax Rate Increase Equal to Increase in CPI-U

Michael Genito reported that in the development of the fiscal 2005 budget, the City Manager raised a concern that the tax rate increase of 2.99% was below the CPI-U increase of 3.54%, and that this might indicate that property tax revenues were not keeping pace with inflation.

The Committee expressed concern that establishing a minimum tax rate increase equal to the CPI-U increase might result in a tax levy that might be higher than required. The Committee also noted that the CPI-U, which includes all retail items typically purchased by an urban consumer, was not a good measure to gauge municipal spending that is affected by a different basket of commodities.

The Committee agreed that the City should not follow a policy of establishing a minimum tax rate increase that is equal to the increase in the CPI-U.

#### Developing a Popular Budget Report

The Committee had agreed that a 2005 project would be the development of a "Popular Budget Report". This document, similar in concept to the "Popular Annual Financial Report", would present the budget highlights and most frequently requested information in a form that was concise, attractive, and readily understood by the average citizen. The document would include narrative, tables, and graphics. Michael Genito expressed enthusiasm for this project, noting that when completed it could be presented to the Government Finance Officers Association ("GFOA") for a special "Award for Excellence in Government Finance". The GFOA's Awards for Excellence in Government Finance recognize contributions to the practice of government finance that exemplify outstanding financial management. The awards stress practical, documented work that offers leadership to the profession and promotes improved public finance.

The Committee appointed David Mullane, Michael Caponiti, and Norm MacMaster to a sub-committee that will work with Michael Genito to research and develop this report. The sub-committee will review the 2005 Annual Budget document and select those pages and information that should be included in the report. Michael Genito recommended that views of the public, preferably those who do not have a financial background, also be sought.

The sub-committee will report to the Committee at the March 7, 2005 Finance Committee meeting.

#### Financial Trends Report

The Committee agreed that the April 4, 2005 Finance Committee agenda should include an item to review and consider changes to the Financial Trends Report. The 2003 Financial Trends Report is available on the City's website <http://www.ryeny.gov/finance/Reports/finrpts.htm>.  
Future Finance Committee Agenda Items

The following items will be included in 2005 Finance Committee agendas:

- ❖ Development of a policy on the use of variable rate debt.
- ❖ Philosophical discussion as to when debt should be issued.
- ❖ Recommendation of a change in New York State law to increase the maximum maturity of bond anticipation notes from five years to the probable period of usefulness ("PPU") of the underlying assets.
- ❖ Discussion regarding annual budget calendar.

#### Next Finance Committee Meeting

The next regular meeting of the Finance Committee is scheduled for Monday, March 7, 2005 at 7:30 p.m. in the Employees' Lounge of City Hall.

#### Adjournment

Having no further business, the meeting adjourned at 8:55 p.m.

Respectfully submitted,

Michael A. Genito